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Indonesia

Dairy and Products

Annual

2001

Approved by:
Kent Sisson
U.S. Embassy
Prepared by:
Paulina Gandakusuma

Report Highlights:
Growth in domestic production is being outstripped by expansion in demand. As a result, imports of non-fat dry milk are forecast to increase about 10 percent in 2002, reaching 110,000 tons. To exploit this growth in import demand, U.S. suppliers will have to compete with traditional suppliers New Zealand and Australia.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Jakarta [ID1], ID

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Executive Summary

Growth in demand for for dairy products is outpacing domestic production; thus, imports are forecast to continue growing. Several factors hinder gains in productivity in domestic milk production, and any increase in milk output will be derived primarily through herd expansion. Thus, manufacturers will continue to rely on milk solid imports, primarily non-fat dry milk, to bridge the gap between domestic output and demand. Australia and New Zealand, with an obvious freight advantage and deep experience in this market, are expected to continue dominating market share.

Production

Based on expectations for an increase in cattle numbers, fluid milk production is forecast to grow about 5 percent in both 2001 and 2002, reaching 555,000 tons in 2002. To take advantage of growing domestic demand, producers are increasing herd size and expanding operations, but productivity gains remain very small. While there are a handful of large intense operations, milk production continues to be dominated by small-scale producers who own 2 to three head of dairy cows. These producers are unable to capitalize on economies of scale, do not always have access to improved genetics, and have limited resources to improve their herds. These factors, combined with logistical constraints prevalent in Indonesia's acquisition and distribution system, unfavorable weather, and relatively high feed costs, prevent production from keeping pace with expanding local demand. As a result, local output is expected to continue to contribute a dwindling share to domestic market needs.

Fueled by growing domestic demand, some local plants are expanding whole milk powder production, and output is forecast to grow about 10 percent in 2002, reaching 60,000 tons. Production of non-fat dry milk (NDM) remains minimal, and that which is produced is of inferior quality. Domestic NDM needs are supplied almost exclusively through imports.

Consumption

With the economic and political situations faltering, but on the path to recovery, demand for dairy products is expanding. Demand for milk solids for processing is forecast to grow more than 15 percent in 2001, with a similar rate of growth expected for 2002. Nonetheless, dairy product consumption in Indonesia will remain quite low relative to its South East Asian neighbors. Dairy products are still considered a luxury, and are estimated to account for less than 5 percent of total consumer expenditures. As such, the above mentioned forecast hinges crucially on the pace and breadth of Indonesia's economic recovery as purchases of dairy products remain very sensitive to changes in consumer purchasing power. Consumption is primarily in the form of powders, sweetened condensed milk, and UHT. Whole milk powder is used primarily for formulating products for infants, while nonfat dry milk is used mainly to manufacture ready-to-drink milks and other dairy based products.

Trade

As growth in domestic use is expected to outpace domestic production, import demand for NDM is forecast to grow about ten percent in 2002. Imports of fluid milk are limited, and imports of whole milk powder are expected to reach only 15,000 tons. The import duty on powder imports is five percent and a 10 percent value-added tax also exists. Based on expected growth in import demand and the pace of imports through the first quarter of the year, NDM imports are expected to reach 100,000 tons in 2001. For 2002, NDM imports are forecast to reach 110,000 tons, which would be above pre-1997 levels, when Indonesia was struck by financial and political instability. Again, this forecast hinges on expectations for continued recovery of Indonesia's economic situation. U.S. suppliers will face stiff competition in this market, with nearby Australia and New Zealand traditionally dominating market share. In 2000, NDM from Australia and New Zealand accounted for half of the NDM imports, with the EU supplying most of the rest. During the first quarter of 2001 when approximately 28,000 tons was imported, New Zealand and Australia again commanded a lion's share of the market, but the U.S. also had a presence due to food aid shipments. In 2000, a relatively large quantity of NDM was exported to Iraq. As Indonesia produces little NDM, this quantity was a re-export. While not fully confirmed, there is some evidence that traders are engaging in imports of NDM solely for the purpose of re-packing and export.

Statistical Tables

PS&D Fluid Milk

PSD Table						
Country	Indonesia					
Commodity	Dairy, Milk, Fluid				(1000 HEAD)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Cows In Milk	350	354	370	370	0	390
Cows Milk Production	498	496	550	520	0	550
Other Milk Production	0	0	0	0	0	0
TOTAL Production	498	496	550	520	0	550
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	6	0	0	0	0
TOTAL Imports	0	6	0	0	0	0
TOTAL SUPPLY	498	502	550	520	0	550
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Fluid Use Dom. Consum.	25	25	28	28	0	30
Factory Use Consum.	448	452	495	467	0	495
Feed Use Dom. Consum.	25	25	27	25	0	25
TOTAL Dom. Consumption	498	502	550	520	0	550
TOTAL DISTRIBUTION	498	502	550	520	0	550
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PS&D Non-Fat Dry Milk Powder

PSD Table						
Country	Indonesia					
Commodity	Dairy, Milk, Nonfat Dry				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Beginning Stocks	4	4	14	15	20	20
Production	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	80	95	100	100	0	110
TOTAL Imports	80	95	100	100	0	110
TOTAL SUPPLY	84	99	114	115	20	130
Intra EC Exports	0	0	0	0	0	0
Other Exports	20	29	24	30	0	30
TOTAL Exports	20	29	24	30	0	30
Human Dom. Consumption	50	55	70	65	0	80
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	50	55	70	65	0	80
TOTAL Use	70	84	94	95	0	110
Ending Stocks	14	15	20	20	0	20
TOTAL DISTRIBUTION	84	99	114	115	0	130
Calendar Yr. Imp. from U.S.	10	10	10	10	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PS&D Whole Milk Powder

PSD Table						
Country	Indonesia					
Commodity	Dairy, Dry Whole Milk Powder				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Beginning Stocks	2	2	4	12	4	15
Production	49	49	54	54	0	60
Intra EC Imports	0	0	0	0	0	0
Other Imports	6	18	8	15	0	15
TOTAL Imports	6	18	8	15	0	15
TOTAL SUPPLY	57	69	66	81	4	90
Intra EC Exports	0	0	0	0	0	0
Other Exports	2	2	1	1	0	1
TOTAL Exports	2	2	1	1	0	1
Human Dom. Consumption	51	55	61	65	0	70
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	51	55	61	65	0	70
TOTAL Use	53	57	62	66	0	71
Ending Stocks	4	12	4	15	0	19
TOTAL DISTRIBUTION	57	69	66	81	0	90
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

NDM Import Matrix

Import Trade Matrix			
Country	Indonesia		
Commodity	Dairy, Milk, Nonfat Dry		
Time period	Jan/Dec	Units:	Metric Tons
Imports for:	1999		2000
U.S.	6,263	U.S.	3,467
Others		Others	
New Zealand	16,590	New Zealand	42,229
Australia	14,822	Australia	13,796
Poland	4,525	Ireland	8,483
Ireland	3,830	Netherlands	8,112
Netherlands	2,402	Germany	7,573
Germany	2,205	Belgium	4,418
Switzerland	1,525	Denmark	1,380
Czech Rep.	1,160		
South Africa	1,006		
Total for Others	48,065		85,991
Others not Listed	3,772		6,009
Grand Total	58,100		95,467

Price Information

Source: Center for Market Information (PIP), the Ministry of Industry & Trade; http://www.dprin.go.id/pip

Average Retail Prices of Powder Milk and Sweet Condensed Milk 2000 (at the Jakarta Markets)		
Month	**Powder Milk**	**Sweet Condensed Milk**
	(Rp/400 g)	(Rp/397 g)
January	12,625	4,100
February	12,625	4,090
March	11,994	4,078
April	12,461	4,080
May	12,485	4,095
June	12,475	4,088
July	12,415	4,080
August	12,420	4,100
September	12,553	4,138
October	12,550	4,185
November	12,760	4,240
December	13,075	4,280

Average Retail Prices of Powder Milk and Sweet Condensed Milk 2001 (at the Jakarta Markets)		
Month	**Powder Milk**	**Sweet Condensed Milk**
	(Rp/400 g)	(Rp/397 g)
January	13,150	4,280
February	13,225	4,290
March	14,106	4,360
April	14,550	4,490
May	14,750	4,550
June	14,750	4,675
July	14,750	4,770
August	14,850	4,775